

Electronic Outlook Report from the Economic Research Service

www.ers.usda.gov

Livestock, Dairy, and Poultry Outlook

Mildred M. Haley, coordinator

BSE-Induced Shifts in Domestic and International Animal Protein Markets Likely To Persist in 2006

NOTE: Due to uncertainties regarding the length of the bans on trade in ruminants and ruminant products related to the discovery of BSE in the United States and Canada, forecasts for 2005 and 2006 assume a continuation of policies currently in place among U.S. trading partners. It is also assumed that the current delay in the implementation of the minimal-risk rule is temporary. Subsequent forecasts will reflect any announced changes.

Beef/Cattle: Major shifts in meat trade due to the 2003 discovery of bovine spongiform encephalopathy (BSE) in Canada and the United States are assumed to continue into 2006.

Dairy: Milk and dairy product prices are expected to fall again in 2006. Expansion in milk production is projected to accelerate after more than 2 years of relatively strong returns and surpass demand gains. Even so, farm milk prices are projected to stay considerably above the low prices of 2002-03.

Sheep/Lamb: Sparked by an effective ewe-retention program, the all-sheep inventory is expected to continue to increase in 2006, and lamb and mutton production is expected to increase about 4 percent. Slaughter lamb prices will remain fairly strong at \$94-\$101 per hundredweight (cwt). Lamb and mutton imports are expected to plateau at around 175 million pounds next year.

Pork/Hogs: The outlook for 2006 largely reflects the “steady-state” of the North American pork industry, and a continuation of strong foreign demand for U.S. pork products, deriving from a low-valued U.S. dollar and sanitary

Contents

[Cattle/Beef](#)
[Beef Trade](#)
[Dairy](#)
[Sheep/Lamb](#)
[Hogs/Pork](#)
[Poultry](#)
[Eggs](#)
[Contact and Links](#)

Tables at a Glance

[Red Meat and Poultry](#)
[Economic Indicators](#)
[Dairy](#)

Web Sites

[Animal Production and Marketing Issues](#)
[Cattle](#)
[Dairy](#)
[Hogs](#)
[Poultry and Eggs](#)
[WASDE](#)

Tables will be released on
May 24, 2005.

The next newsletter
release is June 16, 2005

Approved by the World
Agricultural Outlook
Board.

restrictions on imports of beef and poultry. The live equivalent price of 51-52 percent lean hogs is expected to range between \$44 and \$48 per cwt.

Poultry: With economic indicators such as real Gross Domestic Product and per capita disposable income pointing to continued growth in 2006, and with grain prices forecast to remain close to their 2005 levels, production of broiler, other chicken, and turkey meats are expected to expand in 2006. Export shipments for broilers and turkeys are also likely to be higher and domestic per capita poultry consumption is expected to increase almost 2 pounds.

Eggs: Production in 2006 is expected to stabilize as hen slaughter beginning in March 2005 limits expansion. Wholesale prices (NY grade A) will most likely average between 68 and 73 cents a dozen, an increase of between 5 to 8 cents relative to 2005.

Thank you for your patience as we finalize the development of the Excel spreadsheet tables that support our findings in the LDP at <http://www.ers.usda.gov/publications/ldp/LDPTables.htm>. Since we began publishing the spreadsheets in Excel format, we have added a single file that contains all current monthly tables. Printing the single file gives you the same set of tables that was obtained by printing the "complete" report under the "old" procedure. The single file is formatted so that each table is printed on single pages, meaning that for some tables smaller fonts are necessary in order to fit a single page.

This month, we will add a 2005 archive for past monthly issues of all tables. We appreciate your comments.

Trade Restrictions, Litigation Continue To Dominate Beef/Cattle Outlook

Major shifts in meat trade due to the discovery of bovine spongiform encephalopathy (BSE) in Canada in May 2003 and the United States in December 2003 will almost certainly continue to influence forecasts well into 2006. U.S. cattle inventories remain near cyclical lows, with no meaningful domestic production increases likely before 2007. Cows and heifers bred this year will calve in 2006 and begin to increase fed cattle marketings and beef production in mid-2007. The major uncertainties for this forecast period are caused by the timing of rule and legal changes that may allow the markets to return to some resemblance of the order existing prior to 2003.

Court hearings on the delay in implementing the minimal-risk regions rule continue to move toward resolution. Court hearings in the 9th Circuit Court of Appeals in San Francisco, slated for June, is the earliest the border may open. Hearings in the U.S. District Court for the District of Montana, Billings Division, are scheduled for late July. Present forecasts assume the U.S. border will be open in the third quarter for cattle under 30 months of age for immediate slaughter and for feedlot placement and then immediate slaughter.

Tight cattle inventories in the United States and the early stages of female retention and herd expansion will hold down U.S. cattle production. Slaughter capacity in Canada continues to increase and steadily work down the bubble of accumulated cattle inventory in Canada. First-quarter imports of Canadian fed beef rose over 7 percent above a year earlier due to a large U.S. price premium. With the increased supply of cattle under 30 months of age from Canada possibly beginning this summer, beef production is expected to rise about 3 percent this year and again in 2006. Timing of the border reopening with Canada is the major uncertainty on supplies. Reopening and re-establishing the Asian markets for U.S. beef exports and the availability of cattle meeting export requirements will be key factors affecting beef prices over the next couple of years.

Feeder Cattle Supplies Remain Cyclically Low

Although feeder cattle supplies outside feedlots on April 1 remain near the cyclical lows of the past few years, they were 3 percent above a year earlier. First-quarter feedlot placements were about unchanged from a year ago, but steer/heifer and calf slaughter declined over 3 percent, supporting larger supplies. Favorable grazing conditions in late winter/early spring and positive cattle feeding margins have resulted in very strong demand and record stocker-feeder cattle prices. Tightening feeder cattle supplies and heifer retention will hold down feedlot placements, even with feeder cattle from Canada available to be placed on feed.

Early Spring Cattle on Feed Inventories Remain Tight

Cattle on feed April 1, 2005, were 1 percent higher than a year ago and 1.5 percent higher than 2003. First-quarter placements were about unchanged from a year earlier, while marketings were 1 percent below year-earlier levels. Poor feeding conditions this past winter have held down marketings, but feedlot performance,

and consequently slaughter weights, is now increasing and weights are expected to rise through early fall.

Cow-Calf and Feeder Cattle Conditions Favorable

Cow/calf and cow/calf/yearling operators continue to reap the benefits of reduced supplies of calves and feeder cattle under the continuing prospects for a second year of good pasture conditions. The drought areas in the inter-mountain West and parts of the northern Plains continue to shrink, while the remainder of the country is in good shape. Stocker-feeder calf prices, while not at the record highs of mid-2004 or the pre-BSE peaks in October-November 2003, remain very high, with some calves still selling for almost \$1.50 per pound. Cow/calf producers face a tough dilemma over whether to retain heifers for herd expansion or sell the heifers at current high prices.

Cow Slaughter Continues Cyclical Decline

Cow slaughter is down by almost 6 percent over first-quarter 2004 and by almost 19 percent from first-quarter 2003. Heifers on feed April 1, 2005 are also the lowest April numbers since April 1, 1996. In contrast, steers on feed April 1 are the highest April numbers since April 1, 1995. The reduced cow slaughter and low heifer numbers on feed contribute to the evidence that the building phase of the next cattle cycle has begun. Cow prices have begun to slip below recent highs in the low \$60 range, and processing beef imports are beginning to fill the gap.

Feedlots Current but Could Face Pressure

Feedlots are current, and continue to be just on the positive side of breakeven, as they were in March. Prices in the low- to mid-\$90 per hundredweight for fed cattle will continue to be profitable as long as feed prices remain at or near current low levels and feeder cattle prices remain near or below \$110 per cwt. Feed prices are forecast at relatively low levels, especially if weather conditions hold throughout the summer, as higher prospective plantings, if they translate into increased production, generally mean more grain and lower prices. Working against this scenario are the fact that good pasture conditions will mean heavy competition and higher prices for the limited supply of stocker cattle. In addition, seasonally heavier numbers of feedlot cattle on feed for 120 days or more will be coming to market. Fed cattle prices could come under some pressure as these cattle begin coming to market, even without imported Canadian cattle contributing to supplies. At the same time, the continuing injunction against live cattle coming from Canada will exacerbate the feeder cattle supply situation. Fed cattle performance should begin to improve seasonally as the weather improves, increasing slaughter and dressed weights.

Wholesale Sector Remains Negative

Packers continue to face red ink and low supplies of market-ready cattle, despite improvements in the farm-wholesale spread. The spread between Choice and Select beef carcasses remains wider than normal, emphasizing the relatively low supplies of Choice beef. The heavier slaughter of the last few weeks, although over 4 percent below year-to-date slaughter of 2004, suggests that this picture may be

improving. Cow slaughter is at both seasonal and cyclical lows, keeping prices for 90 percent lean trim at around \$1.50 per pound. Similarly, prices for 50 percent lean, while having declined from around a dollar a pound, are still in the \$.80-per-pound range. The 50s will come under pressure as fed cattle slaughter increases in May through fall.

Retail

Retail beef prices increased again in March and April, to the third and second highest monthly average historically. Retail prices peaked in November 2003 as the short U.S. cattle supply situation was exacerbated by the bans against importing Canadian cattle and beef following the May 2003 discovery of BSE in Canada. Beef supplies began increasing after the August 8, 2003, agreement with Canada that relaxed the initial beef ban. By mid-October 2003, beef imports from Canada had increased to levels that allowed U.S. beef prices to ease. At that point, prices began to decline. Retail beef prices declined only about 2 percent from October highs to December average prices. During this time, fed cattle prices had declined by about 12 percent. Following the December 23, 2003, announcement of the discovery of a BSE-infected cow in the United States, monthly average retail beef prices dropped another 6 percent, dipping below \$4 per pound briefly during February and March of 2004, then moved back into the \$4-plus range, where they have remained since. Continued court litigation has increased uncertainty, resulting in strong competition for the available supplies of beef.

Current high retail prices are the result of the fact that the U.S. cattle inventories have likely just passed their cyclical lows. At this point in a cattle cycle, low cow slaughter and increased heifer retention both act to reduce current beef supplies, so beef supplies remain tight.

The April average retail price for Choice beef was the second highest on record, following November 2003's record of \$4.317 per pound, and is 5 percent higher than year-earlier levels and 17 percent higher than 2 years ago. High retail prices will do little to bolster beef demand, and the injunction-induced, short-term gains at the cow-calf level may not offset the long-term damage to the entire cattle beef sector. In the mean time, the grilling season has begun, which will help domestic meat demand, but adequate supplies of pork and poultry, along with expected increases in beef supplies, will dampen any enthusiasm for beef at current, near-record retail prices.

Beef Supplies Remain Tight in 2006

Beef supplies will remain cyclically tight in 2006, with cow slaughter remaining near a cyclical low of about 5 million head. Steer and heifer slaughter is expected to rise with additional Canadian fed and feeder cattle entering the market. However, cyclical low cattle inventories and the end of surplus cattle from the Canadian cattle inventory through increased slaughter in both countries are expected to result in year-to-year declines in beef production by late 2006. Seasonal price lows will be exaggerated during the summer of 2006 as the last of the fall/winter feedlot placement bulge is worked off and these cattle enter the slaughter market. Beef production in 2006 is expected to rise about 3 percent, about the same increase as in 2005. Both steer and heifer slaughter and slaughter weights

are expected to rise. Slaughter weights are expected to set a record in 2005, exceeding the 758-pound 2002 dressed weight record by about 3 pounds. An additional 3- to-5 pound gain is likely in 2006.

Fed cattle prices are expected to come under pressure in 2006, averaging in the upper \$70s per cwt until late fall. Prices, although down from 2005's record levels, are still expected to average over \$10 per cwt above the 2002 average before the Canadian border closing. Feeder cattle prices are also expected to decline, but cyclically tight supplies are expected to average about \$15 per cwt above the 2002 average of \$80.04. Utility cow prices are expected to remain very strong, about \$15 above the 2002 average, as herd expansion continues.

Retail prices for Choice beef in 2006 are expected to be in the mid \$3.70s per pound, down from this year's expected \$4.00 to \$4.10 average and the present record set in 2004. Larger beef supplies and increased competition from pork and broilers at lower relative prices will put downward pressure on beef prices. However, prices are expected to average well above the \$3.32 average in 2002.

U.S. Beef Exports and Imports Forecast To Increase Slightly From 2005 to 2006

The latest forecast for U.S. beef exports through the remainder of 2005 is slightly down from last month, with the 2005 total projected at 625 million pounds. While both U.S. and Japanese Governments are working toward the reopening of the Japanese market, the forecast assumes current policies remain in place until changes are announced. Similarly, the forecast assumes no changes in the South Korean ban. This also applies to the new forecast for 2006.

Mexico remains the primary U.S. beef customer in 2005. Its 2005 imports are expected to significantly exceed those of 2004 (Mexican imports didn't resume following the December 2003 BSE announcement until almost the end of the first quarter of 2004). A 5-6 percent year-to-year increase in U.S. beef exports in 2006 is also expected, again with the increase mainly going to Mexico. Canada is a distant second as a U.S. customer in both years. Total forecast exports of 660 million pounds for 2006 are about 26 percent of total U.S. beef exports in 2003.

The forecast for 2005 beef imports has been revised slightly downward to 3.70 billion pounds. Imports in 2005 started slowly, particularly from Australia, but they should catch up with expectations during the rest of the year. Foreign exporters may have expected cattle trade between the United States and Canada to resume in March 2005, only to see it delayed by legal action. Demand for lean beef in the United States remains strong, as the domestic herd is at the bottom of the cattle cycle and cow slaughter is relatively low. Processed beef imports from Brazil are expected to decline slightly through the late second quarter and early third quarter of 2005 as that country attempts to correct sanitary problems at slaughterhouses. The initial import forecast for 2006 is set at 3.74 billion pounds, reflecting continued strong domestic demand for beef and the cyclical low in the U.S. herd. Imports from Uruguay are expected to increase in 2005 over their strong showing in 2004, though this may not be sustained in 2006.

Cattle Imports From Mexico Strong, Trade Expected To Resume With Canada

Cattle imports of 2.45 million head are forecast in 2005, reflecting a strong showing from Mexican feeder cattle imports and the resumption of cattle imports from Canada. In 2005, imports from Mexico, which are virtually all feeder calves from northern Mexico destined for stocker operations or feedlots, numbered nearly 500,000 by early May, according to Agricultural Marketing Service weekly data, up about 18 percent from the same period in 2004. Strong U.S. prices for feeder calves are expected to maintain this flow.

Imports of Canadian cattle are assumed to begin in the second half of 2005, with the forecasted volume rivaling that seen in the pre-BSE era. Delays in the resumption of trade due to legal proceedings would likely reduce imports.

Cattle imports are expected to decline from 2005 to 2006. The resumption of cattle imports from Canada should dampen prices somewhat and lessen the pull to U.S. markets for Mexican cattle. The Mexican herd continues to decline. The backlog

of Canadian cattle built up during the border closure should be rapidly drawn down, due to exports to the United States and expanded Canadian slaughter capacity.

U.S. Beef and Cattle Trade Still Dominated by the BSE Issue

As of mid-2005, U.S. imports and exports of both cattle and beef continue to reflect the major changes in trade patterns brought about by the discoveries of BSE in May 2003, in a cow in Alberta, Canada, and in December 2003 in a cow imported from Alberta to Washington State. U.S. beef exports dropped from 2.5 billion pounds (carcass weight equivalent) in 2003 to 461 million pounds in 2004.

Prior to the U.S. BSE discovery, sales to Japan, South Korea, Mexico, and Canada accounted for about 90 percent of U.S. beef exports. Japan and South Korea implemented bans on U.S. beef and have not yet reopened their borders after 17 months. Mexico initially implemented a ban but resumed significant purchases in March 2004 and is now the most important U.S. customer by far, accounting for 72 percent of U.S. beef exports in 2004. Canada is a distant second. While Canada accepts U.S. products, it has higher-than-normal supplies of beef due to BSE problems limiting its own trade in cattle and beef. In fact, Canada is becoming a significant competitor with U.S. beef in the Mexican market.

Several other countries have resumed imports of U.S. beef in early 2005. The most significant of these is Taiwan, which bought about \$70 million of products (including offal) in 2003. However, as this amount represented only about 2 percent of U.S. beef exports that year, this and other reopenings may be of greater value in providing momentum toward resumption of trade elsewhere in Asia.

BSE also overshadows U.S. cattle trade. The United States previously imported significant numbers of Canadian fed cattle and cull cows for slaughter, as well as feeder calves destined for stocker operations and feedlots. Imports of Canadian cattle ceased in May 2003 and have yet to resume. The once-growing Canadian demand for U.S. cattle (mainly feeder calves) has shrunk significantly, and modest Mexican imports of U.S. cattle have virtually disappeared.

USDA's Animal and Plant Health Inspection Service (APHIS) maintains a list of trade restrictions imposed by various countries on U.S. cattle and beef products. It can be found on their website at http://www.aphis.usda.gov/lpa/issues/bse/trade/bse_trade_ban_status.html.

Borders Remained Closed to U.S. Beef in Japan and South Korea

Although Japan agreed in principle last October to accept U.S. beef under a "beef export verification" agreement, some details and a time frame for implementing the agreement have yet to be resolved. In early May the Japanese Food Safety Commission approved relaxing the requirement of universal BSE testing to exclude cattle under 21 months of age. The Commission's action will allow the Ministry of Health and the Ministry of Agriculture, Fisheries, and Forestry to amend their current policies on blanket testing. Under the framework, an animal's age must be verified in order for younger cattle to be excluded from testing.

Some difficulty remains regarding one method proposed for verifying cattle age. Because a relatively small portion of U.S. cattle currently have their ages noted through paper or electronic records, USDA proposed an additional method of assessing age by examining a particular carcass trait (the degree of ossification in vertebrae). In its report on age verification to the Japanese Government, USDA tested the vertebrae age scoring method in 3,338 cattle whose ages were known. A40 represented the oldest maturity group in which no cattle were more than 20 months old (less than 5 percent of A50 and A60 cattle were over 20 months of age). Most cattle in the A40 group were 15 or 16 months old, and none was older than 17 months. The entire USDA report can be found at: <http://www.ams.usda.gov/lsg/stand/MaturityBeef.pdf>.

Negotiations with South Korea have yet to reopen that market, too. Like Japan, South Korea switched to beef from other major suppliers such as Australia and New Zealand when their borders were closed to U.S. beef. Competition is likely to be fierce when the U.S. eventually re-enters the Japanese and South Korean markets.

U.S. Border Remains Closed to Canadian Cattle Pending Legal Action

The U.S. announced in August 2003 that imports of certain Canadian beef products from animals under 30 months of age could resume. In January 2005, the United States promulgated a rule to allow imports of Canadian feeder cattle and fed cattle less than 30 months of age for immediate slaughter beginning March 7, 2005, along with boneless beef from cows over 30 months of age. On February 9, 2005, USDA delayed the effective date for beef imports from cattle over 30 months of age.

On March 2, 2005, a Federal District Court in Billings, Montana, issued a preliminary injunction preventing the imports of the younger cattle in response to a lawsuit filed by R-CALF USA. USDA has appealed the injunction to the 9th U.S. Circuit Court of Appeals. The Billings hearing is scheduled to begin July 27, 2005. If the appeals court overturns the preliminary injunction prior to the opening of the Billings case, younger Canadian cattle could enter the United States at that time.

Canada had exported at least 1 million cattle to the United States in 5 of the 7 years prior to the discovery of the Canadian BSE case (1996 to 2002). Cattle for immediate slaughter represented about 80 percent of those cattle in most years, though drought conditions in 2002 and early 2003 increased the import share of feeder calves during that period. Of the cattle sent for immediate slaughter, about one-third were cows and bulls.

The resumption of cattle imports from Canada in the latter part of 2005 is expected to bring large numbers of cattle into the United States due to price differentials between the countries and the backlog of cattle built up in Canada while the border was closed. However, the backlog appears to be gradually shrinking as Canadian slaughter has increased. The longer the border stays closed, the smaller the backlog (and subsequently exports to the United States) will likely be.

Beef Imports From Uruguay Surge, Status Changes for Brazil and Argentina

Beef imports from Uruguay nearly quadrupled from 2003 to 2004, and they remain strong in early 2005. Most Uruguayan imports enter the United States after payment of a 26-percent tariff. Uruguay utilized its tariff-free allowance of 20,000 tons (product weight basis) under the tariff-rate quota (TRQ) rules, but that represented only about 7 percent of their 2004 exports to the United States.

U.S. Government officials are reviewing whether to permit resumption of fresh and frozen beef imports from Argentina, which are still excluded because of foot-and-mouth disease problems. Argentina has an allocation of 20,000 tons under the TRQ system. It currently ranks second behind Brazil in supplying cooked beef products to the United States.

Brazil also hopes to gain FMD-free status soon under the APHIS veterinary review process, based on Brazil's FMD eradication programs. As mentioned, Brazil is the leading exporter to the United States of processed (cooked) beef products, having supplied over 200 million pounds (carcass weight equivalent) in both 2003 and 2004. Brazil recently surpassed Australia as the leading beef exporter in the world.

However, on May 5, 2005, Brazil's Agriculture Ministry suspended exports to the United States of processed beef. News reports indicated this action followed an inspection visit by U.S. veterinarians which found fault with sanitary procedures at Brazilian slaughterhouses. Brazil had been shipping around 20 million pounds or more (carcass weight basis) of beef products to the United States each month over the past several months. The impacts of this interruption are expected to come in the late second quarter and early third quarter of 2005. A relatively quick correction by Brazilian authorities is expected due to the high value of lost trade with the United States and the potential for lost trade among other countries also concerned about sanitary conditions. Other processed beef exporting countries may pick up some of the slack in sales to the United States, but it would be difficult to entirely replace the volume of Brazilian sales in the short run.

2006 Milk Production Expansion To Outstrip Demand Growth

Milk and dairy product prices are expected to fall again in 2006. Expansion in milk production is projected to accelerate after more than 2 years of relatively strong returns. Production growth is expected to surpass demand gains (particularly for skim solids), leading to the lower prices. Even so, farm milk prices are projected to stay considerably above the low prices of 2002-03.

The strong returns of late 2003 through early 2005 and the expected good returns for the rest of 2005 have generated strength in milk cow numbers. Relatively few farmers have exited dairying because recent returns have bolstered their staying power, a pattern that is likely to continue through 2006. Meanwhile, the number of producers wishing to add substantial new facilities probably has risen considerably, following a 2-year rest after the last expansionary surge. However, continued tight replacement heifer markets, likely tight alfalfa supplies in the Northwest, the generally lackluster prospects for dairy quality forage, and the lengthening time needed for governmental approvals probably will inhibit expansions during the rest of 2005. By 2006, the effects of these problems should lessen.

Milk cow numbers are expected to stay near early 2005 levels during the rest of this year, before drifting higher as 2006 progresses. If so, 2006 milk cow numbers would average about unchanged, following a very small fractional decrease in 2005.

Milk per cow should continue to recover in 2006. Incentives for heavy concentrate feeding will remain quite favorable. Milk per cow is projected to grow more than 2 percent in 2006, slightly faster than 2005's expansion. However, such increases may hinge on the availability of good 2005 forage in light of the apparently very tight stocks of high quality hay at the start of the current forage year.

Gains in demand for dairy products are expected to be fairly substantial. Growth in the economy and consumer income is forecast to stay good. Consumer debt may be the most vulnerable point. Demand could soften if interest rates rise more than currently expected, forcing reductions in expenditures for consumption.

Export demand for nonfat dry milk is projected to stay good through at least most of 2006. New Zealand milk production may rebound in its 2005/06 season, and European export supplies could creep larger if milk production returns to quota levels. However, Australian output probably will be stagnant even if the current dry conditions do not worsen. Continued strong demand for milk powders is likely to readily absorb the small increase in other exporters' supplies, and substantial amounts of U.S. powder probably will be needed to meet import needs.

Farm milk prices are projected to fall more than \$1 per cwt in 2006, following a slightly smaller decrease this year. Although 2006 prices are expected to be much lower than the 2004 record, they are projected to be near the 2000-04 average. Healthy demand likely will remain the key to absorbing record output at such relatively favorable prices.

Lamb Imports Down Considerably in First-Quarter 2005

Despite lower first-quarter domestic lamb and mutton production, lamb and mutton imports for the first quarter of 2005 were 34 percent below the same period in 2004, totaling 41 million pounds. The seasonal spike in lamb and mutton imports which normally occurs in the first quarter was very small. Lamb and mutton import orders are normally placed at the beginning of the year in preparation for the religious holidays of Easter and Passover. The change in relative price of imported lamb caused by the exchange rate differential between the Australian and New Zealand currencies and the U.S. dollar may be one of the factors that caused lower-than-expected imports. The Australian currency appreciation relative to the U.S. dollar has increased the relative price of imported lamb. Overall lamb disappearance was down for the first quarter. With the seasonal demand highs behind us, second-quarter lamb and mutton disappearance is expected to decline slightly and so too are imports.

The San Angelo slaughter lamb prices were strong for the first-quarter of 2005 and are expected to remain fairly strong throughout the second quarter due to continued tight lamb and mutton supplies. Weaker second-quarter demand, however, is expected to pull second-quarter prices below this year's high to around \$100 per cwt. As 2005 progresses and domestic supplies from retained ewe offspring begin to increase, prices are expected to fall slightly and are forecast to be in the upper \$90s per cwt.

Sheep and Lamb Outlook for 2006

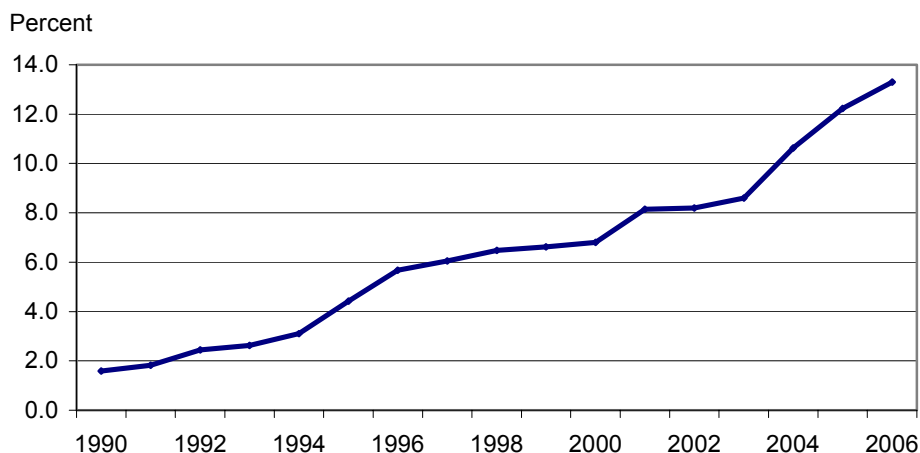
The inventory of all sheep and lamb on January 1, 2005, totaled nearly 6.14 million head, up slightly from a year earlier, the first increase since 1990. The all-sheep inventory is expected to continue its slight increase in 2006 because of evidence of herd rebuilding, sparked by an effective ewe-lamb retention program. Due to the increased inventory, production in 2006 is expected to increase by about 4 percent, but some of the increased production will be the result of increased weights. Slaughter lamb prices will remain fairly strong at \$94-\$101 per cwt and will encourage producers to sell heavier lambs. Fairly strong prices are expected to continue as a result of ongoing tight supplies spurred by efforts to continue herd rebuilding. Total supply is expected to show a 3-4 percent increase in 2006. Lamb imports are expected to plateau at around 175 million pounds as domestic lamb and mutton production is expected to increase.

Pork Production To Increase Slowly in 2006, With Lower-Valued Dollar Continuing To Fuel Exports

The pork outlook for 2006 largely reflects the “steady-state” structure of the North American pork industry, a continuation of strong foreign demand for U.S. pork products, deriving mainly from a low-valued U.S. dollar, and demand for U.S. pork as an alternative to restricted imports of beef and poultry. Commercial pork production in 2006 is expected to be almost 21 billion pounds, about 1.2 percent greater than this year. Most of the production increase will come from productivity increases in the domestic breeding herd, larger imports of Canadian animals, and higher average dressed weights that are expected to result from continued favorable costs of gain. The live equivalent price of 51-52 percent lean hogs is expected to range between \$44 and \$48 per cwt.

The low value of the U.S. dollar, relative to the currencies of pork-importing countries, and competing pork-exporting countries, is likely to be a major factor driving U.S. pork exports in 2006. Favorable exchange rates, together with continued concerns relating to cattle (BSE) and poultry (avian influenza) diseases--particularly in Asia--set the stage for U.S. pork exports of 2.75 billion pounds next year. Exports of this quantity represent 13 percent of production, a continuation of a trend that accelerated in 2003, the year when the U.S. dollar began to depreciate significantly and BSE first appeared in North America. The figure below shows the evolution of U.S. exports as a percentage of commercial pork production.

U.S. pork exports as a percentage of commercial production



Source: USDA.

Lower Per Capita Consumption Next Year, but Lower Retail Pork Prices As Well

Small production increases together with large export forecasts and a growing U.S. population imply slightly lower U.S. per capita consumption next year. In 2006, U.S. consumers are expected to consume 49.8 pounds of pork per capita, down fractionally from this year's forecast consumption of 50.1 pounds. Despite lower pork consumption, U.S. consumers are expected to pay slightly lower retail pork prices next year, averaging in the high \$2.60s per pound, or about 5 percent less than expected in 2005. The expected year-over-year decline in retail pork prices next year will be the likely consequence of significantly lower retail beef prices that will result from increased beef production.

First-Quarter 2005 Pork Exports Surge

U.S. exporters shipped almost 630 million pounds of pork products to foreign markets in the first quarter of 2005, 20 percent more than the same period last year. Strong foreign demand for U.S. pork products plays a very important role in sustaining strong overall demand for U.S. pork. Demand--both foreign and domestic--has been the key factor in establishing and maintaining strong hog prices since last year.

In what has become a typical pattern, three countries--Japan, Mexico, and Canada--accounted for 72.5 percent of first-quarter exports. Trade data suggest that while Taiwanese demand for U.S. pork appears to be slowing from its torrid pace of last year, South Korean demand has accelerated sharply. First-quarter export trade shares, compared with 2004, for important U.S. markets are set out below.

	Export share Jan.-Mar. 2005 (percent)	Export share Jan.-Mar. 2004 (percent)
Japan	42.0	42.8
Mexico	19.4	24.1
Canada	11.1	10.6
Taiwan	2.1	6.8
South Korea	8.3	3.4
Russia	2.8	2.1
Hong Kong	0.4	1.5
Central and South America	1.9	2.2
Caribbean	1.8	1.0
EU-25	0.6	1.1
Other	9.6	4.4

Japan remains far and away the most important foreign destination for U.S. pork products, accounting for 42 percent of first-quarter exports. Japan's large year-over-year increase in imports from the United States (18.2 percent) is likely attributable to two factors: First, with Japanese imports of beef and poultry imports restricted by animal disease concerns, it is likely that larger imports of U.S. pork are helping to meet Japanese consumer demand for animal protein. Also, the lower-valued dollar relative to competitors' currencies--the Canadian dollar and the

Danish Krone--provides an incentive to import U.S. pork in the first quarter. For the balance of 2005, expectations of restrictions on Japanese animal protein imports and a favorable U.S. exchange rate, together with a lower Gate Price--Japan's pork Safeguard was rescinded on April 1, which effectively lowers the minimum import price for pork cuts by almost 25 percent--will likely continue to support U.S. pork exports to Japan.

South Korean imports of U.S. pork products in the first quarter were almost three times greater than a year ago. The U.S. agricultural attaché in South Korea reported recently in "Republic of Korea, Livestock and Livestock Products, Semi-Annual Report" (<http://www.fas.usda.gov/gainfiles/200502/146118780.pdf>) that Korean consumers appear to be purchasing pork in place of beef and poultry due to disease concerns. Moreover, Korean pork producers are experiencing difficulty in responding to greater consumer demand for pork products, due to several factors: First, disease outbreaks in the spring of 2004, followed by an extremely hot summer, together increased the death loss of young pigs. Second, high compound feed prices in South Korea appear to have offset incentives to increase production. A third factor likely hindering increased domestic pork production--and increasing demand for imported pork--is an effort by the Government of South Korea to register all swine farms that maintain facilities of over 50 square meters. The attaché notes that "Farms subject to registration must be equipped with pollution control facilities and meet certain minimum space requirements per animal. Due to the costs associated with such facilities, only 23.6 percent of the 39,000 farms subject to registration had registered by December 2004." USDA forecasts (<http://www.fas.usda.gov/dlp/circular/2005/05-04LP/toc.htm>) that South Korea will increase its total pork imports by about 18 percent in 2005.

U.S. exports to Russia accounted for a slightly larger share of first-quarter exports than in 2005. Russia imported about 18 million pounds of U.S. pork--61 percent more than in the same period a year ago, and accounted for 2.8 percent of total first-quarter 2005 exports. Russia currently imports pork under a TRQ arrangement. In January, Russia established a total import quantity for 2005 of 500,000 metric tons, roughly 1.1 billion pounds, on a carcass weight equivalent basis. The United States was allocated approximately 11.5 percent of the TRQ, or roughly 127 million pounds. Although the TRQ appears to limit Russian pork imports, the U.S. agricultural attaché in Moscow reports that "...the pork TRQ resolution...requires creation of an additional proposal for pork trimmings...to come into force in July 2005...The final proposal might be a secondary TRQ for trimmings with a lower in-quota duty, a removal of trimmings from the TRQ, or a method for allowing processors to import trimmings using special licenses." (<http://www.fas.usda.gov/gainfiles/200502/146118751.pdf>).

The "Other" category accounted for 9.6 percent of U.S. pork exports in the first quarter, more than double the 2004 share in the same period. China accounted for about 46 percent of the Other category. Trade data indicate that more than 42 percent of U.S. pork exported to China is fresh--as opposed to frozen--product. Australia imported almost 15 million pounds of U.S. pork in the first quarter, accounting for 25 percent of the Other category, followed by Romania at about 14 percent. The remainder share--14 percent--is comprised of small shipments to a relatively large set of countries.

Lower First-Quarter Pork Imports Likely Due to Dollar Value

First-quarter pork imports of 245 million pounds were almost 11 percent lower than in 2004. The decrease is more than likely due to the lower exchange rate value of the U.S. dollar with respect to countries from which the United States buys pork products--Canada and Denmark. Canada holds the largest share of U.S. imports. At 80 percent, Canada's first-quarter share is unchanged from last year. Denmark's 12 percent share of U.S. imports is down slightly from last year due to a small increase in the "Other" category, comprised of several small European countries.

Live Imports From Canada Lower

U.S. hog finishers and packers imported 1.9 million live swine from Canada in the first quarter, a decline of 14 percent from last year. Sixty-seven percent of first-quarter imports were feeder animals, as opposed to 66 percent last year; 32 percent were slaughter hogs, as opposed to 34 percent last year. Lower import numbers, in light of slightly larger inventories and pig crops published recently in Statistics Canada's *Hog Statistics* (<http://www.statcan.ca:8096/bsolc/english/bsolc?catno=23-010-X&CHROPG=1>) suggest some combination of a larger slaughter in Canada plus, perhaps, an effort to finish more feeder pigs there. Weekly slaughter statistics published by Agriculture and Agri-Food Canada (http://www.agr.gc.ca/redmeat/wlmr_20050430.htm) indicate, on a cumulative basis through April, that Federal and Provincial slaughter is running 2 percent ahead of the first 4 months of last year. Whether any increase in efforts to finish feeder pigs in Canada is temporary or permanent remains to be seen.

Broiler, Other Chicken, and Turkey Production Expected Higher in 2006

U.S. broiler production is expected to total 36.3 billion pounds in 2006, up 3.3 percent from the previous year. Broiler production is expected to benefit from stable grain prices, a growing domestic economy and moderate gains in beef and pork production. The gains in broiler production are expected to be relatively stable throughout the year. As in past years, the higher production will be the result of both a larger number of birds being slaughtered and a slightly higher average weight.

Broiler exports are expected to total 5.1 billion pounds in 2006, a 2.8-percent increase from the previous year and the second highest total since 2001. Based on continued outbreaks of avian influenza (AI) in parts of Asia it is assumed that current bans on fresh and frozen poultry will remain in force, increasing the opportunity for larger gains in U.S. shipments to Asian countries.

While the gains in broiler production will be slightly offset by larger exports and an expected increase in ending stocks, domestic consumption is expected to rise to 30.8 billion pounds, 3 percent higher than in 2005. This will push the estimated per capita broiler consumption (retail weight basis) to 88.3 pounds, up 1.8 pounds from 2005. If this gain is achieved, per capita broiler consumption on a retail weight basis will have increased by 11.4 pounds between 2000 and 2006.

The 12-city price for whole broilers in 2006 is expected to range from 71-77 cents per pound. This is a small increase over 2005.

Broiler Production and Exports Higher in First-Quarter 2005

Broiler production in first-quarter 2005 totaled 8.45 billion pounds, up 3.1 percent from the previous year. The increase in production came from a combination of a 1.6-percent increase in the number of birds going to slaughter and a 1.3-percent increase in the average liveweight of slaughtered birds.

Broiler production for second-quarter 2005 is forecast at 8.78 billion pounds, an increase of about 3 percent from last year. During April, the number of broilers slaughtered daily, reported by the Agricultural Marketing Service (AMS), averaged around 4-percent higher than during the same period a year earlier. Another indicator pointing to higher future production is weekly increases in the number of chicks placed for growout. Over the last 5 weeks (April 9 through May 7) the number of chicks being placed for growout has averaged slightly less than 2 percent higher than in the same period the previous year.

Broiler exports in the first quarter of 2005 totaled 1.2 billion pounds, a 17-percent increase from the same period in 2004. The large increase in exports is due to two factors. First, exports in the first quarter of 2004 were depressed due to the restrictions many countries placed on U.S. exports due to domestic outbreaks of avian influenza. Second, prices for most poultry products have been lower in the first quarter of 2005 than during the same period in 2004. The largest increases in exports were to Mexico, the CIS countries, Hong Kong/China, and Japan.

Turkey Production Expected Higher in 2006

After no expected growth in 2005, turkey production is expected to rise slightly (1.5 percent) to 5.5 billion pounds in 2006. The growth is expected to come from a slightly higher number of birds slaughtered and heavier weights.

Turkey exports are estimated at 525 million pounds in 2006, up less than 2 percent from 2005. Most of the growth will continue to be from higher exports to Mexico, which is the dominant U.S. turkey market. However, growth is also expected to come from higher shipments to Asian markets.

Over the last several years, turkey production has grown slightly, but it has not kept pace with population growth. Since 2000, per capita turkey consumption on a retail-weight basis has declined from 17.4 pounds to an expected 16.3 pounds in 2006.

Prices for whole hen turkeys are expected to range from 66-71 cents per pound in 2006, down about 3 percent from 2005. A small increase in turkey production and continued increases in broiler production are expected to put downward pressure on turkey prices, especially following the strong prices expected for 2005.

Overall poultry consumption on a retail-weight basis is expected to total 105.8 pounds in 2006, 1.5 pounds higher than in 2005. Broiler meat consumption accounts for 83 percent of the total. Per capita poultry consumption between 2000 and 2006 is expected to increase 10.4 pounds, up 11 percent. For the same period, per capita total red meat consumption, chiefly beef and pork, is expected to decline from 120.8 pounds to 119.6 pounds.

First-Quarter 2005 Turkey Production Down, Exports Rise

Turkey production totaled 1.3 billion pounds in first-quarter 2005, down marginally from the previous year (1.309 billion pounds in first-quarter 2004). While the number of turkeys going to slaughter was down nearly 6 percent, the average slaughter weight rose to 29 pounds, up more than 5 percent from first-quarter 2004. Turkey production in the second quarter is expected to reach 1.38 billion pounds, a small increase from second-quarter 2004.

Turkey exports in the first quarter were 126 million pounds, up 52 percent from the previous year. The large jump in turkey exports was due to the same factors as for broilers, an absence of restrictions on exports due to disease problems and lower prices for a number of turkey parts. Mexico is the dominant export market for turkey, 83 million pounds in the first quarter, up 66 percent from the previous year. Exports were also higher to Hong Kong and Taiwan.

Other Chicken Production Higher in 2006

The growth in the broiler industry is expected to slowly expand other chicken meat production as the number of broiler-breeder hens expands over time. Other chicken meat production is expected to reach 515 million pounds in 2006, up 10 million pounds from 2005. However, other chicken exports are also expected to increase, especially if prices for broiler products increase. The estimate for 2006

per capita consumption of other chicken meat is 1.3 pounds on a retail-weight basis, the same as in 2005.

Egg Prices Dropped Sharply in April 2005

Wholesale table egg prices (NY grade A large) closed the first quarter of 2005 at 64.5 cents a dozen, nearly 44 percent lower than last year, and 5 percent lower than the last quarter of 2004. Wholesale prices dropped in the first quarter with egg production remaining high as layer flocks in the first quarter averaged almost 3 percent above 2004. Prices settled to 56.17 cents per dozen in April 2005, the lowest since May 2002, and less than half the historical record level just a year ago.

Profit margins rose substantially as egg prices increased from August 2003 to March 2004, attracting egg growers to rapidly expand the U.S. egg layer flock. Close to 12 million layers were added between August 2003 and February 2005, when the flock stood at 289.4 million. The result of those added layers brought table egg production to 1,585 million dozen in the first quarter of 2005, nearly 29 million dozen more than a year ago. However, the number of U.S. egg layers has decreased by nearly 3.9 million layers during March 2005. For all of 2005, table egg production is forecast to grow 1.4 percent over last year.

In 2006, production is expected to stabilize as wholesale prices (NY grade A) will most likely average between 68 and 73 cents a dozen. For 2006, prices are forecast higher than 2005, as prices rebound from their low half first levels. Price gains likely will be supported by moderate early-year production growth in the face of a smaller U.S. egg laying flock.

Retail egg prices averaged 98.8 cents per dozen in the first quarter of 2005, but will follow wholesale prices as they begin to stabilize. For all of 2005, retail egg prices are expected to average between 98 cents and \$1.02 per dozen, nearly 23 percent lower than 2004. As the supply adjusts to demand, prices are expected to increase by 4-6 percent in 2006.

Lower shell egg prices will probably boost the amount of federally inspected eggs that go to the breaking market by nearly 6 percent in 2005 compared with last year. As prices for shell eggs improve in 2006, the egg breaking market will likely decelerate to just around 1 percent growth over the 2005 level.

With increased supplies in 2005, U.S. exports of eggs and egg products (in shell egg equivalents) are expected about 20 percent higher than in 2004. The increase is mainly due to the lifting of restrictions imposed by many countries on U.S. eggs and egg products after outbreaks of avian influenza in early 2004. If supplies remain high, the U.S. export market for shell eggs and egg products looks promising, due to low prices, high quality, and restrictive production measures imposed on layer flocks in the European Union. U.S. egg exports in 2006 are expected to remain at the same level as 2005.

Contacts and Links

Contact Information

Mildred M. Haley (coordinator)	(202) 694-5176	mhaley@ers.usda.gov
David J. Harvey (poultry)	(202) 694-5177	djharvey@ers.usda.gov
Ron Gustafson (cattle)	(202) 694-5174	ronaldg@ers.usda.gov
Monte Vandever (beef trade)	(202) 694-5158	montev@ers.usda.gov
Keithly Jones (sheep and goats)	(202) 694-5172	kjones@ers.usda.gov
Mildred M. Haley (hogs/pork)	(202) 694-5176	mhaley@ers.usda.gov
Jim Miller (dairy)	(202) 694-5184	jjmiller@ers.usda.gov
LaVerne Williams (statistics)	(202) 694-5190	lwilliam@ers.usda.gov
Laverne Creek (web publishing)	(202) 694-5191	lmcreek@ers.usda.gov
Donald Blayney (dairy)	(202) 694-5171	dblayne@ers.usda.gov
Fawzi Taha (eggs)	(202) 694-5178	ftaha@ers.usda.gov

Subscription Information

Subscribe to ERS e-mail notification service at <http://www.ers.usda.gov/updates/> to receive timely notification of newsletter availability. Printed copies can be purchased from the USDA Order Desk by calling 1-800-999-6779 (specify the issue number or series SUB-LDPM-4042)

Data

Colorado State University's Livestock Marketing Information Center (<http://www.lmic.info>) now houses the retail scanner prices for meat database (<http://www.lmic.info/meatscanner/meatscanner.shtml>), including standard tables, the searchable database, and documentation. The raw data underlying the database are from supermarkets across the United States that account for about 20 percent of supermarket sales. Erica Rosa, 720-544-2941.

Recent Report

"Market Integration in the North American Hog Industries" <http://www.ers.usda.gov/publications/ldp/NOV04/ldpm12501/> reports that about 8 percent of the hogs slaughtered in the United States in 2004 will originate in Canada, many more than 10 years ago. Canadian hogs have flowed into the United States in response to significant structural changes in the U.S. pork industry, policy changes in Canada, and a strong U.S./Canadian dollar exchange rate.

Related Websites

Animal Production and Marketing Issues, <http://www.ers.usda.gov/briefing/AnimalProducts/>
Cattle, <http://www.ers.usda.gov/briefing/cattle/>
Dairy, <http://www.ers.usda.gov/briefing/dairy/>
Hogs, <http://www.ers.usda.gov/briefing/hogs/>
Poultry and Eggs, <http://www.ers.usda.gov/briefing/poultry/>
WASDE, <http://www.usda.gov/oce/waob/wasde/latest.pdf>

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, sex, religion, age, disability, political beliefs, sexual orientation, or marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice and TDD). USDA is an equal opportunity provider and employer.

Red meat and poultry forecasts

	2001	2002	2003	2004				2005					2006		
	Annual	Annual	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	Annual
Production, million lb															
Beef	26,107	27,090	26,238	5,838	6,253	6,360	6,097	24,548	5,727	6,200	6,875	6,400	25,202	5,950	25,975
Pork	19,138	19,664	19,945	5,130	4,897	5,047	5,435	20,509	5,136	4,925	5,075	5,560	20,696	5,175	20,940
Lamb and mutton	223	219	199	53	46	46	50	195	49	46	46	52	193	50	201
Broilers	31,266	32,240	32,749	8,195	8,492	8,839	8,537	34,063	8,453	8,775	9,075	8,825	35,128	8,750	36,275
Turkeys	5,562	5,713	5,650	1,309	1,366	1,390	1,389	5,454	1,302	1,375	1,375	1,400	5,452	1,310	5,535
Total red meat & poultry	83,006	85,669	85,476	20,687	21,220	21,858	21,676	85,441	20,827	21,486	22,628	22,409	87,350	21,404	89,636
Table eggs, mil. doz.	6,078	6,190	6,207	1,556	1,574	1,598	1,637	6,365	1,585	1,610	1,615	1,645	6,455	1,600	6,540
Per capita consumption, retail lb 1/															
Beef	66.2	67.6	64.9	16.0	16.9	16.9	16.3	66.1	15.6	16.6	18.0	16.8	67.0	15.9	68.1
Pork	50.2	51.5	51.8	13.0	12.2	12.7	13.4	51.3	12.3	12.0	12.5	13.3	50.1	12.2	49.8
Lamb and mutton	1.1	1.2	1.2	0.3	0.3	0.2	0.3	1.1	0.3	0.3	0.3	0.3	1.2	0.3	1.2
Broilers	76.6	80.5	81.6	20.8	21.2	21.9	20.4	84.3	21.0	21.5	22.4	21.6	86.5	21.4	88.2
Turkeys	17.5	17.7	17.4	3.6	4.0	4.5	5.0	17.1	3.5	3.7	4.0	5.3	16.5	3.3	16.3
Total red meat & poultry	213.6	220.5	218.9	54.1	54.8	56.6	55.9	221.4	53.1	54.6	57.7	57.7	223.1	53.6	225.4
Eggs, number	252.7	255.5	254.7	63.7	63.9	64.1	65.5	257.2	63.4	63.9	63.9	65.2	256.4	62.2	253.8
Market prices															
Choice steers, Neb., \$/cwt	72.71	67.04	84.69	82.16	88.15	83.58	85.09	84.75	89.09	90-92	81-85	81-87	85-89	74-80	76-82
Feeder steers, Ok City, \$/cwt	88.20	80.04	89.85	87.98	104.58	116.27	110.19	104.76	104.05	109-111	95-99	91-97	99-103	89-95	92-98
Boning utility cows, S. Falls, \$/cwt	44.39	39.23	46.62	47.50	54.86	56.25	50.78	52.35	54.18	57-59	54-56	51-55	54-57	52-56	52-56
Choice slaughter lambs, San Angelo, \$/cwt	72.04	72.31	91.98	100.62	97.06	93.62	95.44	96.69	106.10	99-101	96-100	95-101	99-103	97-103	95-101
Barrows & gilts, N. base, i.e. \$/cwt	45.81	34.92	39.45	44.18	54.91	56.58	54.35	52.51	51.92	54-56	48-50	40-44	48-51	45-49	44-48
Broilers, 12 City, cents/lb	59.10	55.60	62.00	73.20	79.30	75.70	68.30	74.10	71.90	72-74	72-76	71-77	72-75	70-76	71-77
Turkeys, Eastern, cents/lb	66.30	64.50	62.10	62.10	66.60	73.10	77.10	69.70	65.90	67-69	70-74	74-80	69-72	60-66	66-71
Eggs, New York, cents/doz.	67.20	67.10	87.90	114.90	79.70	66.20	68.00	82.20	64.50	59-61	63-67	67-73	63-66	67-73	68-73
U.S. trade, million lb															
Beef & veal exports	2,269	2,447	2,518	36	120	138	167	461	130	165	180	150	625	145	660
Beef & veal imports	3,164	3,218	3,006	873	929	940	937	3,679	831	1,010	960	900	3,701	900	3,740
Lamb and mutton imports	146	162	168	62	47	34	38	181	41	45	42	45	173	44	175
Pork exports	1,560	1,611	1,717	523	546	486	624	2,179	630	635	580	700	2,545	665	2,745
Pork imports	951	1,070	1,185	275	265	291	268	1,099	245	250	270	250	1,015	250	1,020
Broiler exports	5,555	4,807	4,920	1,024	1,008	1,250	1,486	4,768	1,199	1,225	1,245	1,300	4,969	1,200	5,110
Turkey exports	487	439	484	83	93	134	133	443	126	120	130	140	516	120	525

1/ Per capita meat and egg consumption data are revised, incorporating a new population series from the Commerce Department's Bureau of Economic Analysis based on the 2000 Census.

Source: World Agricultural Supply and Demand Estimates and Supporting Materials.

For further information, contact: Mildred Haley, (202) 694-5176, mhaley@ers.usda.gov

Published in Livestock, Dairy, and Poultry Outlook, <http://www.ers.usda.gov/publications/ldp/>

Economic Indicator Forecasts

	2004					2005					2006	
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	Annual
GDP, chain wtd (bil. 2000 dol.)	10,709	10,778	10,883	10,976	10,842	11,078	11,160	11,257	11,352	11,212	11,443	11,588
CPI-U, annual rate (pct.)	3.6	4.7	1.9	3.4	3.4	2.4	3.3	2.3	2.4	2.6	2.4	2.5
Unemployment (pct.)	5.6	5.6	5.4	5.4	5.5	5.3	5.2	5.2	5.1	5.2	5.1	5.1
Interest (pct.)												
3-month Treasury bill	0.9	1.1	1.5	2.0	1.4	2.5	3.0	3.4	3.8	3.2	4.0	4.1
10-year Treasury bond yield	4.0	4.6	4.3	4.2	4.3	4.3	4.4	4.6	4.9	4.6	5.1	5.2

Source: Survey of Professional Forecasters, Philadelphia Federal Reserve Bank, May 2005.

For further information, contact: Jim Miller 202 694 5184, jjmiller@ers.usda.gov

Published in Livestock, Dairy, and Poultry Outlook, <http://www.ers.usda.gov/publications/ldp>

Dairy Forecasts

	2004					2005					2006	
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	Annual
Milk cows (thous.)	8,993	9,001	9,027	9,019	9,010	8,995	9,000	8,990	8,990	8,995	8,970	8,995
Milk per cow (pounds)	4,755	4,869	4,679	4,655	18,958	4,807	4,975	4,765	4,780	19,325	4,930	19,775
Milk production (bil. pounds)	42.8	43.8	42.2	42.0	170.8	43.2	44.8	42.8	43.0	173.8	44.2	177.9
Farm use	0.3	0.3	0.3	0.3	1.1	0.3	0.3	0.3	0.3	1.1	0.3	1.1
Milk marketings	42.5	43.5	42.0	41.7	169.7	43.0	44.5	42.6	42.7	172.7	44.0	176.8
Milkfat (bil. pounds milk equiv.)												
Milk marketings	42.5	43.5	42.0	41.7	169.7	43.0	44.5	42.6	42.7	172.7	44.0	176.8
Beginning commercial stocks	8.3	10.1	11.6	9.9	8.3	7.2	9.5	11.1	9.8	7.2	7.5	7.5
Imports	1.2	1.8	1.0	1.3	5.2	1.3	1.2	1.2	1.3	5.1	1.2	4.9
Total supply	52.0	55.4	54.6	52.9	183.3	51.5	55.2	54.9	53.8	184.9	52.7	189.2
Ending commercial stocks	10.1	11.6	9.9	7.2	7.2	9.5	11.1	9.8	7.5	7.5	9.3	7.4
Net removals	-0.1	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.3
Commercial use	42.0	43.8	44.6	45.7	176.2	42.0	44.1	45.1	46.3	177.4	43.4	181.6
Skim solids (bil. pounds milk equiv.)												
Milk marketings	42.5	43.5	42.0	41.7	169.7	43.0	44.5	42.6	42.7	172.7	44.0	176.8
Beginning commercial stocks	8.5	8.5	10.1	9.5	8.5	8.2	8.5	9.7	8.9	8.2	8.1	8.1
Imports	1.0	1.5	1.1	1.3	4.8	1.2	1.3	1.1	1.4	5.0	1.0	4.8
Total supply	51.931	53.5	53.164	52.465	183.0	52.3	54.2	53.4	53.0	185.8	53.1	189.7
Ending commercial stocks	8.504	10.146	9.451	8.181	8.2	8.5	9.7	8.9	8.1	8.1	8.8	8.2
Net removals	0.8	0.1	0.4	0.0	1.3	-0.4	-0.1	0.0	0.1	-0.3	0.1	1.5
Commercial use	42.6	43.2	43.3	44.3	173.5	44.2	44.6	44.5	44.8	178.1	44.2	180.0
Milk prices (dol./cwt) 1/												
All milk	14.10	18.53	15.50	16.07	16.05	15.67	14.55	13.90	14.80	14.70	13.90	13.15
							-14.85	-14.50	-15.70	-15.20	-14.90	-14.15
Class III	12.66	19.31	14.54	15.06	15.39	14.31	13.55	13.10	13.30	13.55	12.35	11.95
							-13.85	-13.70	-14.20	-14.05	-13.35	-12.95
Class IV	12.43	14.26	12.92	13.19	13.20	12.64	12.10	11.90	11.65	12.05	11.30	11.05
							-12.50	-12.60	-12.65	-12.65	-12.40	-12.15
Product prices (dol./pound) 2/												
Cheddar cheese	1.399	2.007	1.558	1.610	1.643	1.531	1.455	1.420	1.445	1.460	1.365	1.330
							-1.485	-1.480	-1.535	-1.510	-1.465	-1.430
Dry whey	0.177	0.283	0.234	0.235	0.232	0.248	0.245	0.225	0.210	0.225	0.180	0.175
							-0.265	-0.255	-0.240	-0.255	-0.210	-0.205
Butter	1.707	2.089	1.722	1.778	1.824	1.570	1.425	1.410	1.435	1.455	1.390	1.350
							-1.485	-1.500	-1.555	-1.535	-1.520	-1.480
Nonfat dry milk	0.808	0.835	0.858	0.862	0.841	0.899	0.905	0.885	0.845	0.880	0.830	0.820
							-0.935	-0.935	-0.915	-0.920	-0.900	-0.890

1/ Simple averages of monthly prices. May not match reported annual averages.

2/ Simple averages of monthly prices calculated by the Agricultural Marketing Service for use in class price formulas. "Based on weekly "Dairy Product Prices", National Agricultural Statistics Service. Details may be found at http://www.ams.usda.gov/dyfm/mib/fedordprc_dscr.htm

Source: World Agricultural Supply and Demand Estimates and supporting materials.

For further information, contact: Jim Miller 202 694 5184, jjmiller@ers.usda.gov